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Neoliberalism is dead, long live neoliberalism? Neostructuralism and the international aid regime of the 2000s

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Abstract: In the 2000s a new aid regime evolved. This promised to move beyond the former neoliberal approach in a number of ways. It would involve greater consultation between donors and recipients, shift the focus from economic growth to broader factors, including poverty, and hand back the responsibility for this to the nation-state. This approach bears strong resemblance to the rise of neostructuralism, a development paradigm that has become highly influential in Latin America. In this article we trace the shifts in the aid regime and ask to what extent the contemporary regime can be defined a postneoliberal paradigm.

Key words: international aid, neostructuralism, neoliberalism, development theory, heterodox paradox

I Introduction

Neoliberalism has dominated development discourse for the past quarter century. For much of the 1980s and 1990s it guided development policy. It was associated with radical reform, restructuring and diminishing the role of states in order to place the market at the centre of development strategies. Poverty elimination was not an explicit concern; rather, it was believed that aggregate economic growth should be promoted and that this would eventually filter down to the poor. Critics observed that neoliberal reform created new forms of poverty and inequality, that welfare

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cuts created much hardship and that market-led strategies merely favoured wealthy and powerful countries and classes at the further expense of the poor. The criticisms were such that the fundamental neoliberal approach, encapsulated in the structural adjustment programmes of the 1980s and 1990s, was reformed from the mid-1990s onwards. It was acknowledged that states *did* have an important role in the development process, and that it was necessary to target poverty elimination (de Haan, 2009). The role of aid, in the form of significant transfers of resources from rich to poor economies, was reaffirmed as a key stimulus for development. Change has been such that few development theorists or practitioners would openly still subscribe to the basic tenets of the orthodox neoliberal model. Furthermore, the global financial crisis of the late 2000s decade seems to have struck the death knell for those who favoured a completely deregulated market-led development path.

Contemporary development practice, then, would seem ostensibly to be far removed from the structural adjustment programme version of neoliberalism. Following international agreements to adopt the Millennium Development Goals in 2000, to increase substantially the level of aid and – perhaps most importantly – to focus on aid effectiveness following the Paris Declaration of 2005, the present aid landscape appears to be structured by some rather different principles. Rather than diminishing the role of states in development, current aid policies appear to be aimed at improving the capacity of states to deliver basic welfare services. Also, there is now an explicit focus on poverty elimination, and donors seem to have accepted that recipients should 'own' their own development strategies. Associated with these changes in objectives have been a series of significant changes in the way aid is delivered, with a shift from discrete development projects to much more long-term sustained programmes, which are run by recipient governments and funded by themselves and aid 'partners'. We argue that this new aid approach has much in common with neostructuralism as a development theory, promoting a mixed model of state direction and market accumulation and displaying concern for inequality, welfare and the environment. This article, then, critically examines the parallels between the new aid agenda and the theory of neostructuralism. We assess whether the concepts of neostructuralism have, indeed, influenced and informed a significant turning point in the aid regime, shifting it back to state-led market governance, or whether this is merely neoliberalism in a new guise.

II Neoliberalism and aid

The fundamental elements of neoliberalism – free market resource allocation and the rolling back of the state – provided the pillars of what might be regarded as the orthodox phase of the neoliberal aid regime. This regime was encapsulated in the structural adjustment programmes (SAPs) advocated and disseminated through the Washington Consensus. These programmes, enforced when heavily indebted countries sought debt relief or rescheduling through the International Monetary Fund (IMF) and World Bank, were the price of continuing aid support and were common through the late 1980s and early 1990s. In brief, the SAPs sought to dismantle the apparatus of state-controlled economic institutions and regulations. State-owned assets were privatized; balanced budgets and independent central banks brought inflation under control and liberated money markets; and taxes on consumption rather than income were imposed. Further to this, austerity measures dramatically cut government services and costs; exchange rates were deregulated; subsidies, import controls and export incentives were abolished; the plethora of restrictions on markets and trade were dismantled through a widespread process of deregulation; new modes of public sector

management were introduced; and restrictions on foreign investment and ownership were lifted.

Alongside these well-documented effects of harsh neoliberal reform, there were some significant political developments. With a (sometimes radically) diminished state sector and a weak private sector, delivery of basic welfare services often fell into the hands of civil society, whether through family and community networks or constituted non-governmental organizations (Fine, 1997). Aid agencies were quick to recognize and work with this sector, for they continued to distrust what they saw as inefficient and corrupt state institutions. Instead, they looked favourably on 'community' and 'civil' organizations which they regarded as closer to the people and therefore more democratic and efficient at service delivery.

Hence, as shown earlier, 'pure' neoliberalism greatly influenced aid policies throughout the 1990s. However, mounting criticism of the harsh austerity measures this approach entailed led, by the second half of the decade, to the adoption of progressively more complex and moderate aid strategies (Craig and Porter, 2006). We argue that in order to interpret the roots and implications of these changes, it is useful to consider the concept of neostructuralism. In the following, we explore the rise of neostructuralism as a theoretical frame informing development practice.

III The rise of neostructuralism as theory and practice

Neostructuralism is a body of development theory and related policy that has risen to considerable influence in Latin America. It has evolved in large part out of the work of thinkers at the United Nations Economic Commission for Latin America and the Caribbean (ECLAC or CEPAL in Spanish). In many ways, it builds upon the legacy of structuralist analysis written in the 1950s, which was led in particular by Raul Prebisch (1949, 1959; Kay, 1989). However, as the prefix *neo* implies, this body of theory and policy holds crucial differences to its predecessor. In Latin America at least, the rise of neostructuralism can be seen as an attempt to forge a postneoliberal paradigm, and in terms of commanding the attention of policy makers and governments it has been successful (Gwynne and Kay, 2000; Murray and Pastor, 2008). The explicit arrival of the theory can be traced back to 1990 and the launch of the ECLAC (1990) document *Changing Production Patterns with Social Equity*. Since then, it has risen to prominence among centre-left governments in particular, who have pedalled it as a viable alternative to the market orthodoxy of neoliberalism that is palatable to the voting public. It is a paradigm that diverges from a blind neoliberal faith in the market, and yet one that shares similar end goals towards globalised modernity.

1 Historical roots of neostructuralism

As with all development theories, neostructuralism is a product of its time. By the early 1990s, all of the neoliberal dictatorships in Latin America had fallen. These regimes had been covertly and sometimes overtly backed by the West, and were built on the so-called lessons of Chilean free market 'miracle' of the 1970s (Barton and Murray, 2002). In taking power the dictatorships guaranteed the harsh austerity measures required by international institutions and global capital in the wake of the debt crisis of the early 1980s. Following the fall of communism, however, the US and its allies had less reason to back such authorities. The dominant development paradigm was to be underpinned by democracy and good governance, and involve the enabling of the new slim-line state. Following 9/11, the prospect of failed states as harbours for terrorists became a new priority, and thus attempts were made to reinvigorate the nation-state through aid and loan conditionalities focusing on institutional effectiveness. The ideas and theories that comprise the neostructural paradigm fit very well with this latter geopolitical reality. It has seduced many thinkers and politicians in that

it carves out a middle road to globalization, which promises modernity without the austerity required under pure neoliberalism. In this sense, it has come to influence the policy of international institutions, and has mimicked much of the participatory development paradigm, drawing on terms and concepts such as participation, social inclusion, growth with equity and globalization from within (Brohman, 1996).

As a consequence of this broad appeal, neostructural ideas have been successfully adopted by centre-left presidents and governments across South America, including Lagos in Chile (2000–06), Lula da Silva in Brazil (2002–present) and Correa in Ecuador (2007–present). Arguably, it was in Chile under the historically popular President Bachelet (2006–10) that neostructuralism found its most resounding expression yet – even if the government did not often refer to it as such (Murray and Rabel, 2008). In other countries, a shift further to the left associated with anti-US sentiments and more explicit anti-neoliberal rhetoric has taken place, as in Venezuela (Chavez, 1999–present) and Bolivia (Morales, 2006–present). All of the above has been underpinned by the revitalization – in different ways in different places – of some of the core sentiments of structuralist interpretations of development theory and policy, which distinguish this period to an extent from the neoliberal phase.

The idea of neostructuralism preceded other related 'Third Way' concepts and evolved in Latin America as an explicit response to neoliberalism. In this sense it represents another example of the periphery theorizing back to the core in ways that are eventually subsumed into the orthodoxy. The paradigm has gone on to inform international development agencies – including the IMF and the World Bank – and its ideas now permeate all the main development institutions. Often, the origin of these ideas is not traced back to Latin American neostructuralism, and the Third Way politics of Blair and Clinton are often credited as the source of this turn. As has often been the case, Latin America is fertile ground for the production of economic theory and has led the way in terms of development 'experiments' at key moments in global political economic history.

Despite its undeniable rise in terms of influencing continental and world affairs, there has been little explicit study of neostructuralism. As Leiva (2008: 2) argued, 'despite growing intellectual influence, no systematic and comprehensive critical appraisal of the new postneoliberal development approach is available'. Structuralism was similarly underanalyzed in the 1950s, although its radical child – dependency theory – *did* receive much attention. Hence, by analyzing how neostructuralism has influenced, and impacts upon, the new aid regime, we attempt to provide further critical analysis of the paradigm beyond its hearth in Latin America.

2 Key components of neostructuralism

Can neostructuralism be regarded as a new paradigm? Some have argued that it is nothing more than a collection of short-term policy responses to the new realities of globalization (Buchanan, 2008). Others have viewed it as a way of forging a path to globalization through social inclusion, without the inevitable 'race to the bottom' promoted by neoliberalism (Gwynne and Kay, 2004; Ocampo, 1993; Sunkel, 1990). What is certain is that it presents a significant shift – as Leiva (2008: 2) claimed: 'While calling Latin American neostructuralism a new paradigm might seem to some an overreach, just calling it a package of economic policies is misleading.' As a body of theory, it purports to offer an alternative to the orthodox approach of neoliberalism and the sanctity of the market distribution mechanism. It counters that comparative advantage alone is not enough to precipitate the attainment of competitiveness on the world market, and that this should be forced open through selective intervention designed to foster a dynamic export sector.

Crucially, it also argues that forging a successful economy is also dependent on the creation of a democratic participatory society where harmony and cohesion are paramount. Thus, the state has a role not only in actively intervening to create competitive advantage, but also as a body that facilitates belonging, often around a shared identity based on rights and freedoms. In this sense, economic development is about more than the economy: it is about institutions, the government and civil society, as well as the market. In this sense, neostructuralism seeks to restore balance to the relationship between society and the state attacked by neoliberalism (Murray and Pastor, 2008). It promotes the idea of productive and social pacts as crucial underpinnings of the quest for modernity. Crucially, democracy and participation operate to ensure that the nation-state is socially inclusive and consensus oriented, which contrasts with the conflict orientation of neoliberalism. Early neostructuralists talked of growth with equity and the centrality of sustainability (ECLAC, 1990; Ocampo, 1993). Yet it is quite clear that these two variables are subservient to the goal of economic growth through export orientation and linking into the global economy. This idea is not at odds with the general goals of structuralism, despite common misconceptions in this regard (Murray, 2006).

3 Divergences and criticisms of neostructuralism

Neostructuralism is crucially different from neoliberalism in its understanding that the state must intervene to ensure that peripheral economies move beyond resource-dependent development and add value to their products. Thus, concepts such as clusters, adding value, upgrading and technology hubs leading to development from within grew from the neostructural paradigm. Neostructuralists have argued that leaving the market alone to determine economic policy will result in oligopolistic competition and static comparative advantage. When countries focus solely on comparative advantage, they can become ensnared in secular decline in the terms of trade trap identified under structuralism.

Neostructuralism diverges from structuralist theory in two major ways. First, the notion of core-periphery that underlies all structuralist thinking is not explicitly evident in most neostructural writings. The idea that the reality of any given country must be interpreted in the context of the evolution of the whole global political economy is not present. Thus, policy concerns tend to be narrower both geographically and in a temporal sense. Related to this difference is neostructural under-theorization of power relations. Analyses of power imbalances underlie structuralist analysis and provide the architecture upon which the ideas are built. In neostructuralism, the power implications of the consensus concerning the benevolent role of international capital, transnational flows and the market vis-à-vis social actors including labour and civil society is not theorized. In this sense it has been seen by some at least as indicative of a step backwards in terms of the strong tradition of Latin American critical thinking (Leiva, 2008).

The broad acceptance of neostructuralism has been partially due to the intricate balancing act between society and market that it seems to promise, but also to the fact that other alternatives have not presented themselves. Neostructuralism allows centre-left political groups to offer much to all sectors and interests in society; business and the capitalist elite is not threatened, the marginalized are promised a share and external powers are happy as markets remain open. Some have argued that this is nothing more than neoliberalism dressed up in a manner that is more acceptable to the electorate. They have claimed that neostructuralism has become all things to all people – a new form of Latin American populism (Buchanan, 2008). It is indeed true that a number of equity issues, which it was assumed that productive transformations in the 1990s would solve, have not been improved

rapidly. In Chile, for example, income inequality is as high now as it was in 1966 (Kennedy and Murray, 2008; Kousary *et al.*, 2009), although poverty has been vastly reduced.

The most complete critique of neostructuralism comes from Leiva (2008). He argues crucially that there are contradictions inherent in neostructuralism, particularly in the way it seeks to differentiate itself from neoliberalism. He posits five myths in this regard: the relatively easy road to globalization, the logic of open regionalism, the possibility of de-linking distribution from accumulation, the desirability of national consensus and the difference between genuine and spurious competitiveness. Leiva argues that in many ways these myths have allowed politicians to build capitalist hegemony whilst selling it as popular sovereignty. One of the most telling criticisms, as noted earlier, is that power relations are not explored in neostructuralist dialogue, and this means that Latin American reality is misinterpreted and that the role of political economy is underplayed. Rather, highly seductive 'socio-emotional' normative policy prescriptions are 'sold' to the electorate. As such, the notion of social conflict, which clearly still exists, is underemphasized and the possibility of the development of underdevelopment is not recognized. This renders economic theory and policy piecemeal and non-holistic. The central criticism offered by Leiva (2008: 15) is that 'neostructuralism is not an alternative to neoliberalism; instead it completes the historical task initiated by neoliberalism, the consolidation and legitimation of a new export-oriented regime of accumulation'. This echoes earlier work by Kay (1997), Gwynne and Kay (2004), Hojman (1997) and Silva (1997), arguing that the new model in Chile and Latin America more generally post-1990 represents 'continuity with change.'

4 Neostructuralism and aid

What does the foregoing discussion imply in terms of the evolution of the aid regime? In what sense has the neostructural turn impacted aid policy? There are a number of common threads that can be identified in terms of the post-Paris regime and the general tenets of the neostructural paradigm. These include:

1. The shift away from neoliberal orthodoxy, ostensibly at least.
2. The handing back of control to the state, wrapped in the notions of ownership and sovereignty.
3. The concept of inclusiveness, harmony and participation.
4. The shift in policy recommendations towards more holistic approaches to development that build social consensus.
5. The shift in economic policy away from comparative advantage to innovation and value added.
6. The attempt to include voices from across society in order to determine policy priorities.

Continuities with the past, as well as the deep-seated motives of transformations in the aid regime, require interrogation. Crucially, the notion of power relations needs careful unpacking, as implicit in the new regime are new configurations of power that, we sense, mirror and perpetuate those of old. In this endeavour, the concept that Leiva referred to as the heterodox paradox is salient. According to this concept,

> Economic and social policies aimed at expanding the role of participatory governance and civil society result in reinforcing the subordination of the public sphere and the noneconomic realm to the logic of transnational capital. The outcome is weakening of popular sovereignty and citizenship and the consolidation of transnational capitalist hegemony. (Leiva, 2008: 18)

Given the above, the remainder of this article seeks to address three central questions. First, how has neostructuralism influenced the evolution of aid policy and practice? Second, to

what extent is the heterodox paradox evident in terms of contemporary shifts in the aid regime? And finally, more generally, to what extent can the general critique of neostructuralism as a paradigm that merely extends neoliberalism be applied to the supposedly post-neoliberal aid regime?

IV Transforming the neoliberal aid regime in the 2000s

Given these outlines of neostructuralism as theory and policy in development, we can now examine changes to the putative objectives and actual practices of aid delivery in the past decade, and assess in what ways they conform to the neostructural model. This is a somewhat different question to the issue of the extent to which neostructuralism has actually influenced aid theory, policy and practice, which we consider in the discussion section of the article. Here, we are interested in parallel shifts in the aid regime and neostructural thought, and the extent to which the latter assists us to theorize the transition of the former.

The 'pure' neoliberal model of aid came under critical scrutiny in the mid and late 1990s, and gave way to what might be termed the second wave of the neoliberal aid regime. What Stiglitz (1998, 2005) termed the 'post Washington Consensus consensus' began with a realization that the Washington Consensus had both failed and created unacceptable levels of hardship and suffering. There needed to be a renewed focus on equity and employment generation, and states were necessary to promote and regulate markets, and to provide infrastructure (ibid., 2005). This new view of the state embraced the concept of 'good governance' (later), mixing populist calls for human rights and democracy with continuing efforts to reform the systems of government to encourage transparency and accountability and remove corruption.

The adoption of the Millennium Development Goals (MDGs) in 2000 was highly significant. Although they had been foreshadowed to an extent by pressures for aid to focus on poverty alleviation in the late 1990s (see Storey *et al.*, 2005) and to adopt indicators that would force donors and recipients to measure the effectiveness of their aid spending, the MDGs crystallized a new approach to aid that redefined its overt objective: the elimination of poverty on a global scale (de Haan, 2009). Furthermore, although the causes of (and hence the solutions to) poverty remained undefined, the adoption of specific goals and targets meant that the aid industry had something tangible to focus on, namely, a set of targets based on achieving basic literacy, primary health care, greatly improved maternal and child health and a reduced gender gap at all ages. Perhaps the most notable feature of the MDGs was that they gave explicit prominence to improving human welfare rather than promoting economic growth (Saith, 2006). Added to this, with other goals concerning environmental sustainability and an overall recognition of significant inequalities in development indices, the MDGs appeared to have a lot in common with neostructuralism in terms of promoting balanced and broad-based development where equity and environent were considered of equal importance to economic growth.

Following the adoption of the MDGs, and no doubt influenced also by both a reasonably steady period of growth in the global economy and post-9/11 fears about the instability of certain states and regions, major aid donors committed themselves to increasing the volumes of aid. In this they were also motivated to an extent by public opinion through campaigns such as Live Aid and Make Poverty History. In the Gleneagles summit of 2007, and earlier in the Monterrey Consensus of 2003, the G7 countries agreed to move towards the goal of devoting 0.7 per cent of gross national income (GNI) to development aid. This was also agreed to in the Development Assistance Committee (DAC) group. It seemed, superficially at least, that there had been a significant shift in the

West's commitment and attitude towards aid, led by Scandinavia and to a lesser extent Britain. In reality, many countries remained far from the goal of 0.7 per cent of GNI devoted to development aid, and from the other goals that had been set in the various summits of the early 2000s.

Given the new poverty focus and increases in aid volumes, aid donors expressed greater concerns about the effectiveness of aid spending. To a large degree this was because they had to justify aid spending to their domestic constituencies. Such constituencies needed convincing that their money was being spent wisely and well, and not ending up in the pockets of corrupt officials or politicians – a central concern of neoliberal/good governance critiques of aid. Following an initial convention and agreement in Rome in 2003, the Paris Declaration of 2005 provided a critical expression of these concerns about aid effectiveness; much in this Declaration takes a neostructural tone.

The first of the five Paris Principles established recipient 'ownership' as a founding concept: recipients should define and drive their own development strategies (Buiter, 2007). Second, the principle of 'alignment' suggested that donors should only give aid if it conformed to these defined and accepted strategies. These two principles hinted at the promise of a reversal in aid power dynamics. In contrast to the much-criticized days of SAPs, when donors dictated in very heavy-handed ways what recipients must do, and aid was used as a weapon to force structural reform and bring about market-led growth, the Paris Declaration seemed to open the way for recipients to lead the process, establishing a welfare and poverty-focused strategy that donors would fund substantially and without significant debate. Alongside these first two principles, however, the other three spelled out some less prominent but no-less-important procedural directions. Donors would 'harmonize' so as not to compete with one another (Eyben, 2007); both donors and recipients would 'manage for results' by ensuring that spending was linked to defined and tangibly measurable outcomes; and they would be 'mutually accountable' to one another.

Although there has been much talk about participation, public consultation and a role for civil society in meeting the MDGs and ensuring the progress of the Paris Declaration principles (reinforced in the 2008 (OECD) Accra Agenda for Action), in practice it has been the state that has taken on a leading role, and civil society has been marginalized (Hyden, 2008). When neoliberal reforms were being applied in the 1980s and 1990s, much store was put on civil society, both as a means of tackling governmental corruption and as an alternative service delivery system to the state. Following the MDGs and the Paris Declaration, however, it has become apparent that the institutions of the state are once again seen as critical, if significant progress is to be made in alleviating poverty and promoting development. This, perhaps, is partly because donors realized that civil society organizations could be no less corrupt or self-serving than state institutions and partly because if there were efficiencies to be gained, a single large state edifice presented much better opportunities for economies of scale than a myriad of small non-government organizations. Attention turned to key state bodies, especially those concerned with financial management, so that large aid funds, and those concerned with basic service delivery, in education and health in particular, could be seen to be spent transparently, correctly and efficiently. The state took – or was induced by donors to take – responsibility for welfare and development. Thus, a new aid approach emerged, which was more interventionist, more welfare oriented, state centred and what might be termed scaled-up. It seemed to be a marked departure from the days of neoliberalism-inspired aid a decade before.

However, in the detail of how states were redesigned to operate, we begin to see a more

complex picture emerge. To a large degree, the reconstruction of recipient states was guided by the amorphous concept of 'good governance' (Cornwall, 2007). This concept, adopted from the mid 1990s, had two key elements. The most overt feature of the good governance agenda embraced the language of democracy, human rights and public participation in an apparently populist guise that appealed to both donor constituencies concerned about supposed endemic corruption and despotism and recipient groups fighting for human and political rights. The more covert side of good governance concerned the mechanisms of government, especially the handling of finances. 'Transparency' and 'accountability' were labels that were used to force changes in management systems in order to combat corruption and inefficiencies. Good governance has promoted the redefinition of legitimacy. By reforming the state so that it is supposedly more democratic, responsive, accountable and efficient – and more concerned with the welfare needs of its citizens – aid has helped bolster the legitimacy of the state.

At a deeper level, this transformation of the state has been even more fundamental. The concern to scale up aid delivery and ensure its effectiveness has led to a significant shift in aid modalities. In the height of neoliberalism, suspicion of the state and support for civil society and the free market led aid donors to use projects as the main vehicle for aid delivery. Projects were linked to a particular activity, had a defined time scale, produced measurable outputs (such as a well, a school, a bridge or an irrigation scheme) and tended to have a strong emphasis on physical rather than human or social capital development. But discrete projects are not well suited to the sorts of long-term, large-scale programmes that are needed, for example, to significantly increase the literacy rates of children or lower the maternal mortality rate on a national scale. These require not only physical infrastructure in the form of schools, health centres and teachers and colleges, but also major improvements in human capital through the training of teachers, midwives and extension workers, and the on-going provision of salaries, teaching materials and medicines. As such, a shift away from projects to longer-term programmes was necessary. Alongside this shift came recognition that existing institutions could not easily achieve the necessary increases in scale of operation. Governance, management, administrative systems and operational activities all needed attention, and in many cases this meant constructing major new or reformed and enlarged state institutions. As state capacity was developed, donors could begin to entrust more responsibility and bigger budgets to recipient states. A transition was developed, from projects to managed programmes to sector wide approaches (SWAps) to general budget support (GBS), with each stage of the transition marked by a check on the performance of the state (van Reesch, 2006). The ultimate goal of GBS is a modern efficient bureaucracy guided by its own strongly articulated development strategy and supported by significant financial assistance from donors given in the form of a block annual grant to the government's budget (Koeberle and Stavreski, 2006; Wohlgemuth, 2006).

The checking of performance at each stage reveals the reality of the process of state (re)construction – a reality that is somewhat removed from the ostensible goals of the post-Paris aid regime. Despite the declared objective of recipient 'ownership', donors have insisted that a country's development strategy should conform to a template – a Poverty Reduction Strategy (PRS)[1] that is subject to audit and approval by external agencies such as the IMF and the World Bank as well as the main bilateral donors (Craig and Porter, 2003; Eurodad, 2008; Gould, 2005). Once this PRS is in place, a series of regular reviews and audits occurs. Furthermore, in the move from projects to SWAps and GBS, there are very strict conditions to be met with regard to financial management systems in particular. The transparent accounting for public funds has

to be demonstrated by submitting to external audits (often by international accounting firms) and by adopting modern management systems that are used by developed countries (Killick, 2005). These place particular demands on recipient states, which often do not have the expertise or resources to implement or operate such systems (Cramer *et al.*, 2006; Smith, 2005). In many cases, such demands have resulted in the use of expatriate staff to put the systems in place and often run them. In some ways, it amounts to a new kind of colonial occupation, and undermines the development policy sovereignty it is intended to create.

In sum, the new aid modalities have led to a quiet – but often revolutionary – restructuring of the state. What is being put in place amounts to a replication of the bureaucracies and management systems of donors to allow donors to have confidence in the way their aid is distributed and accounted for. What seems to be most important is demonstrating the efficiency and legality of aid spending – not the effectiveness of development outcomes (Action Aid, 2008). States are reconstructed and strengthened, their capacity is significantly enhanced, and their systems of administration and management increasingly resemble those of their donors. The new aid regime has recreated the state in the image of the West, just as the neoliberal aid regime reproduced the market in poorer countries in the image of richer ones.

Furthermore, despite the rhetoric of consultation, civil society is marginalized from the day-to-day practices of aid administration as well as from the higher levels of policy-making (Howell and Lind, 2008; Ishkanian, 2006; Wallace *et al.*, 2007). Key relationships develop between donors – particularly lead donors – and the local Ministry of Finance (to oversee aid disbursement and control) and line ministries (to deliver services). Donors seem to have realized that if states are 'properly' operating, they are easier to deal with and more efficient than a civil society characterized by large numbers of organizations, each of which require separate a contract and monitoring contract, and which may be more prone to taking an independent and politically less predictable stances with regard to policy strategies. Channelling of aid through states thus means larger scale operation and potentially greater levels of efficiency of aid disbursement and effectiveness of defined outcomes. This does not necessarily imply that participation and consultation result from the shift in 'ownership'. It might be that the new aid regime is actually increasing dependent relations of power between donors and recipients in ways that substantially favour the former and 'lock in' the latter. In some ways, then, this is the antithesis of the ostensible goals of neostructuralism, representing instead a recasting and extension of the dominance wrought through the top-down neoliberal aid regime.

V Conclusions: neoliberal or neostructural aid?

Neostructuralism did not parallel but preceded the more general rise of Third Way politics in the global North in the late 1990s. It came about as a response to the hegemony of neoliberalism that existed at the time. It came to permeate development institutions right to the most influential: the World Bank and the IMF. The poverty agenda and the good governance agenda of the late 1990s are couched in neostructural language. The later shift to the failed states approach is also built upon neostructural logic. Work on the exact chronology of the adoption of these ideas would be a useful addition to the literature on the impact and influence of neostructuralism and postneoliberalism.

Generally speaking, we concur with the view that neostructuralism is an extension of the neoliberal orthodoxy designed to sustain free market capitalism politically. Specific policies may have changed but the goal remains much the same. The façade of neostructural inclusiveness and self-determination are thus central to the political sustainability of free

market regulation. Policies such as state–civil alliances, public–private partnerships and participatory governance models are in fact ways of legitimizing and sustaining the dominant regime of accumulation. Notwithstanding this, significant differences *do* exist, as the shifts in the aid sector exemplify.

The ostensible concepts of the neostructural paradigm, such as participation, good governance, inclusiveness and cohesion, certainly influenced the design of aid modalities and the general direction of the regime. Furthermore, the reinvigoration of the state is a central component of the paradigm's analysis. At the core, though, there is no large-scale shift away from export orientation or the centrality of market logic. On the contrary, social cohesion and participation are seen as ways to make such development more sustainable.[2] The laudable social and political goals of neostructuralism as played out in the aid regime are not goals at all – they are means to a neoliberal end. The new regime purports to be more holistic in its targets; and it is indeed true that there has been a shift away from the narrow focus on economic growth to broader concepts. But underlying this quite clearly is the promotion of open regionalism and free market allocation. Although the lexicon might be different, the conditionalities that are involved in the new aid regime bear much in common with the neoliberal approach.

We argue that criticisms directed at neostructuralism should be launched more specifically at its manifestation in the sector. There are three main sets of criticisms:

1. The new aid regime is not as different from the past as might appear superficially.
2. Power relations are not dealt with effectively in the new aid regime, leading to a bias towards donors that is particularly acute in smaller nations.
3. The attempt to enable a newly invigorated state actually creates a greater dependence on external consultants, as in the heterodox paradox predicted by Leiva (2008).

There is much rhetoric with respect to participation and inclusiveness in the new process. In reality, however, the harmonization process means that donors still have the greatest power in determining the general direction of policy (Eyben, 2007). In accordance with the harmonization principle of the Paris Declaration, donors act in concert, and may appear to be less heavy handed (due to other Paris principles of ownership and alignment). However, in practice, lead donors have considerable weight in negotiations and recipients lose the opportunity to play donors off against each other (Hyden, 2008). So, conditionalities can still be imposed, despite new fuzzy rhetoric of recipient ownership (Gould, 2005). As such, small and peripheral aid recipients become policy-takers rather than policy-makers. In this sense, the new aid regime does not take into account power relations and the importance of the political economy of the structures of power in determining aid policy and outcomes. States are given ownership, but the question arises: whose state? What happens in the case of contested states? And who determines how the state operates (Buiter, 2007)? In the realities of current aid practice, we see the reproduction of the Western state in a manner that is akin to neo-colonial political change, and in a way that echoes the economic colonialism of the neoliberal aid regime.

This new aid regime is seductive in that it promises to transcend overt top-down and bottom-up approaches to development, towards centre-out policy. Utilizing the rhetoric of 'participation', it offers – to use a central neostructural catchphrase – 'development from within' (ECLAC, 1990). Ultimately, though, the new aid modality – like the development paradigm that inspired it – does not represent a fundamental break with the past. Rather, it operates as a smokescreen that allows continued accumulation along

neoliberal lines, but manages to make this more palatable to the electorate. In this sense, neostructuralism has influenced the unfolding of aid policy by providing a means to obfuscate the underlying and persistent objective of neoliberal accumulation, namely, the control of the periphery by the core so that benefits might be extracted from the former by the latter.

Notes

1. Previously a Poverty Reduction Strategy Paper (PRSP).
2. This mirrors more general critiques of the way participatory development approaches have been co-opted by mainstream development practice (Cooke and Kothari, 2001; Hickey and Mohan, 2004).

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